

EXHIBIT 6



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BODY:

Last month Carlos Ortiz, an executive for Rhode Island-based CVS Corp., the nation's second-largest pharmacy chain, testified before House Speaker Thomas Finneran's task force on Medicaid, the government insurance program for the poor. The way to cut the state's fast-growing Medicaid bill, he advised, was to limit patients' access to some of the most expensive and heavily advertised medications, a strategy opposed by the big drug companies. What Ortiz said, in effect, was this: Whack the drug companies. Not surprisingly, he didn't offer the same prescription for his own industry.

There is plenty of whacking ahead as the state tries to get its arms around a looming \$2 billion budget gap for next year. And Medicaid is a tempting target for a good reason: It is expected to account for one-quarter of all state spending next year.

The state's 900,000 Medicaid recipients will find out about that soon enough. Starting June 1, the state will require doctors to seek prior approval before prescribing many of the most popular and expensive arthritis, ulcer, and allergy drugs for Medicaid patients.

Patients are unhappy. The drug companies are under fire. But to a remarkable degree CVS and the rest of the pharmacy industry - from the chains to the mom and pops - have managed to stay under the radar screen. When we're cutting benefits to poor people, everything needs to be on the table.

Last summer, a report by the inspector general's office of the US Department of Health and Human Services found that Medicaid programs are overpaying pharmacies hundreds of millions of dollars for prescription drugs. While Medicaid payments are based on average wholesale prices, doctors and pharmacies received big discounts and never paid those prices, the report found. In the industry, average wholesale price, or AWP, is an open joke that stands for "Ain't What's Paid." The General Accounting Office said that in 2000, pharmacies were reimbursed at least \$483 million above their costs.

In Massachusetts, pharmacies are paid based on estimated wholesale cost. The state also allows a 10 percent

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markup and \$3 for each prescription filled. That markup is double the 5 percent allowed in Rhode Island.

The Massachusetts Biotechnology Council, which is aligned with the big drug companies, says the state could save as much as \$65 million a year if Massachusetts required the pharmacies to pass through the drugs at cost and make their profit on the \$3 charge, as the inspector general favors. Cutting the payments to the 5 percent Rhode Island mandates would save the state \$33 million, the council estimates.

The pharmacy industry rejects the suggestion that its margins are too fat. "Massachusetts provides the lowest gross margins of any state where we operate," says Todd Andrews, a CVS spokesman. Todd Brown, executive director of the Massachusetts Independent Pharmacists Association, says the state's reimbursements are among the lowest in the nation.

Neither, however, had comparative data. Both called the inspector general's report flawed and said the agency had acknowledged serious mistakes. That was news to the inspector general's office. "We stand by our report and the numbers in it," a spokeswoman said.

Paul Jeffrey, the state's director of pharmacy services, said the state now requires pharmacies to offer Medicaid their lowest prices. But he said Medicaid is examining the reimbursement formula. Why is Rhode Island paying 5 percent when we are paying 10 percent? "That is a reasonable question," he said. "Every option is on the table."

Here's another reasonable question: If we're going to be cutting benefits to poor people, shouldn't we be sure we're not paying fat margins to pharmacy chains?

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